

**MISSOURI PSTIF  
FINANCIAL PROJECTION ASSUMPTIONS  
JULY 1, 2014 THROUGH DECEMBER 31, 2020**

Following are the assumptions used to project the Missouri Petroleum Storage Tank Insurance Fund Balances for the period of July 1, 2014 through December 31, 2020.

**REVENUES:**

- Transport Load Fees - It is assumed that the fee will remain at \$20/load for the projection period; a decrease of 2,500 transport loads (20,000,000 gallons) in petroleum usage is assumed for FY2015 and a further annual decrease of 2,500 loads is assumed for fiscal years 2016 through 2021.
- \$100 Initial Tank Fees – Assumes the following number of new tanks each fiscal year:

FY2015	250
FY2016 through FY2021	200
- UST Participation Fees for FY2015 are based on 2,565 insured sites; the number of insured sites is projected to decrease by 10 per year for fiscal years 2016 through 2021. The average participation fee per site for fiscal years 2015 through 2021 is assumed to be \$329, which is the current average. For fiscal years 2015 through 2021, 200 Extended Reporting Period Endorsements are projected each year at an average participation fee of \$368.
- AST Participation Fees for FY2015 through FY2021 are based on 1,050 insured sites. The average participation fee per site for fiscal years 2015 through 2021 is assumed to be \$323, which is the current average. The number of Extended Reporting Period Endorsements projected for fiscal years 2015 and 2016 is 75; it is 100 for fiscal years 2017 through 2021, with an average participation fee per endorsement of \$308.
- Interest earnings are based on the following rates, applied to the prior year's end fund balance:

FY2015	.60%
FY2016	.65%
FY2017	.75%
FY2018	1.00%
FY2019	2.00%
FY2020 through FY2021	3.00%

**ADMINISTRATIVE EXPENSES:**

- Third-party Administrative Expenses are assumed to increase in FY2015 by 1% annually per current contract. Beginning with FY2016, costs are assumed to decrease by 2% annually through FY2021.
- Inspection costs are assumed to increase slightly for FY2015 because the 3-year cycle triggers more inspections in those years. Beginning with FY2016, costs are assumed to increase by 3% annually through FY2021.
- Training & Loss Prevention Services include costs associated with implementing an operator training program in the State of Missouri in fiscal year 2015. Fiscal year 2015 costs

are assumed to be \$94,620 and then decrease to \$36,250 in fiscal year 2016 and \$37,023 in fiscal year 2017; which includes operator training program costs for solution maintenance, support and hosting fees. Fiscal year 2016 through 2021 costs are projected to increase 3% annually, except for the operator training program costs.

- Legal expenses, Other Professional Expenses, and Section 319.107 expenses are based on FY2015 appropriation requests and assumed to increase 3% annually through FY2021. The Board paid for an actuarial study in FY2014; a similar cost is assumed biannually thereafter.
- Department of Revenue expenses are based on the FY2015 appropriation request. For FY2016 through FY2021, costs are assumed to remain constant.
- Attorney General's Office expenses are based on FY2015 appropriation requests. An increase of 3% annually starting with FY2016 is assumed through FY2021. For FY2015 and FY2016, an additional FTE is assumed with costs of \$78,440 per year.
- PSTIF Board/Staff expenses are based on the FY2015 appropriation request and assumed to increase 2% annually through FY2021.
- Department of Natural Resources' expenses are based on FY2015 appropriation requests. Beginning with FY2016, costs are assumed to decrease by 2% annually through FY2021.
- State Government Expense includes the PSTIF's estimated share of expenses for statewide elected officials and legislative operations for fiscal year 2015; then 2% annual increases are projected.

### **CLAIM PAYMENTS:**

- **For All Types of Claims** -- Projected claim payments are based on average costs incurred to date and estimated future remediation costs for that claim type.
- **UST Insurance Claims** - As of June 30, 2014, the Fund had 469 open UST Insurance Claims, 74 of which are projected to be Large Loss Claims and 59 are "tail coverage" claims. Cleanup activities were underway on 326 of these claims as of June 30, 2014. The projections assume the remaining 143 claims will either start cleanup or submit invoices for work previously completed before the sunset date of the Fund.

For fiscal years 2015 through 2021, it is assumed that 3% of insured UST sites will have or discover a release resulting in a claim.

The Board offers "tail coverage" to Fund participants. It is assumed 20 such claims will be made in fiscal year 2015, 15 claims in fiscal year 2016, and then 10 per year thereafter.

- **UST Remedial Claims** - As of June 30, 2014, the Fund had 397 open UST Remedial Claims, 60 of which are projected to be Large Loss Claims. Cleanup activities were started on 251 of these claims as of June 30, 2014. The projections assume the remaining 146 claims will either start cleanup or submit invoices for work previously completed before the sunset date of the Fund.

The projections assume an additional 20 UST Remedial Claims will be filed annually in fiscal years 2015 and 2016, 15 per year in fiscal years 2017 and 2018, and 10 per year thereafter.

- **AST Insurance Claims** – As of June 30, 2014, the Fund had 92 open AST Insurance claims, 20 of which are projected to be Large Loss Claims and 11 of which were “tail coverage” claims.

For fiscal years 2015 and 2016, it is assumed that 2.0% of insured AST sites will have or discover a release resulting in a claim. For fiscal years 2017 and 2018, it is assumed that 2.5% of insured AST sites will have or discover a release resulting in a claim. For fiscal years 2019 through 2021, it is assumed that 3% of insured AST sites will have or discover a release resulting in a claim.

The Board offers “tail coverage” to AST policyholders. It is assumed 5 such claims will be made annually in fiscal years 2015 through 2021.

- **AST Remedial Claims** – As of June 30, 2014, the Fund had 36 open AST Remedial Claims, 10 of which are projected to be Large Loss Claims.

The projections estimate an additional 5 AST Remedial claims will be filed annually in fiscal years 2015 through 2021.

- **Large Loss Claims** – As of June 30, 2014, the Fund had 164 open claims with estimated cleanup costs equal to or greater than \$250,000. It is assumed an additional 97 claims will become large loss claims during fiscal years 2015 through 2021.

- **Fund’s Sunset Date** – The “sunset date” is December 31, 2020, and under current law, the Fund will have a liability on that date to continue paying for claims filed prior to that date. As of December 31, 2020, it is anticipated that cash of approximately \$121.2 million will be needed to pay the remaining claim costs and administrative expenses for claims filed prior to December 31, 2020.